

Message Text

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ACTION AF-18

INFO OCT-01 EUR-25 NEA-10 ISO-00 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01

SP-03 SS-20 USIA-15 AEC-11 AID-20 CEA-02 CIEP-02

COME-00 EB-11 FEA-02 FPC-01 INT-08 OMB-01 SAM-01

SCI-06 STR-08 TRSE-00 IO-14 SSO-00 DRC-01 /216 W

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FM AMEMBASSY TRIPOLI

TO SECSTATE WASHDC PRIORITY 1147

INFO AMEMBASSY BONN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TUNIS

AMEMBASSY VALLETTA

USINT ALGIERS

C O N F I D E N T I A L TRIPOLI 0431

E.O. 11652: GDS

TAGS: ENRG LY

SUBJECT: ESSO, MOBIL AGREE ON PARTICIPATION; COMPANIES ARE GIVEN
NEW CONCESSION AREAS

1. ESSO'S GREENWALD AND BARROWS INFORMED US LATE APRIL 16 ON
FOLLOWING DETAILS OF EARLIER ANNOUNCED AGREEMENTS WITH LIBYAN
OIL MINISTER. THEIR CONFIDENCE SHOULD BE PROTECTED BECAUSE
COMPANY WISHES LARG TO MAKE DECISION ON INFO TO BE RELEASED.
THEY SAID THEY UNDERSTOOD ARRANGEMENTS WITH MOBIL TO BE SIMILAR
TO AGREEMENTS THAT THEY HAD WORKED OUT.

2. PARTICIPATION AGREEMENT: ALL ASSETS OF ESSO LIBYA AND ESSO
SIRTE ARE TRANSFERRED 51 PERCENT TO LIBYAN NATIONAL OIL COMPANY,
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WITH THE EXCEPTION OF THE LIQUIFIED NATURAL GAS PLANT AT MARSA EL-

BREGA. ALTHOUGH ESSO HAD URGED NOC ACQUIRE LNG PLANT, LIBYANS ARE HOLDING OFF FOR THE TIME BEING. APPARANTLY THEY ARE NOT FULLY CONFIDENT THEY COULD ASSUME RESPONSIBILITY FOR OPERATION ON THIS COMPLEX PLANT. THEY DID CONCEDE, HOWEVER, THAT THE LNG PLANT IS, IN THE LONG TERM, INSEPARABLE FROM THE GAS PRODUCING FIELDS AND PIPELINES AND WILL EVENTUALLY TAKE OVER THIS FACILITY.

3. COMPENSATION: THIS HAS BEEN CALCULATED AT THE NET ASSET VALUE, ALSO KNOWN AS NET TAX BOOK VALUE. AN AGREED SUM OF \$85 MILLION WILL BE PAID IN FOUR EQUAL INSTALLMENTS OVER AN 18-MONTH PERIOD BEGINNING 30 APRIL 1974.

4. MANAGEMENT: MANAGEMENT COMMITTEE WILL CONSIST OF LIBYAN CHAIRMAN, LIBYAN MEMBER AND ESSO RESIDENT REPRESENTATIVE. SIMPLE MAJORITY WILL DECIDE RULINGS. ESSO WILL PROVIDE TECHNICAL ASSISTANCE UPON REQUEST TO BE PAID FOR FROM JOINT NOC-ESSO LIBYA ACCOUNT. ESSO REPS TOLD US THIS SECTOR OF AGREEMENT ALREADY OPERATIONAL-- ESSO IS RECEIVING IMMEDIATELY \$143,000 IN PATENT AND LICENSING RIGHTS.

5. BUY BACK: ESSO WILL HAVE OPTION TO BUY BACK AS MUCH AS 100 PER CENT OF NOC CRUDE PRODUCED AT FORMER ESSO CONCESSIONS DURING FIVE SIX-MONTH PERIODS BEGINNING 1 OCT 1974. IF THEY REFUSE OPTION TO BUY BACK AT LIBYAN ASKING PRICES, LIBYANS MAY OFFER TO OTHER INTERNATIONAL BUYERS AT SAME PRICE AND SELL IF OFFER MADE. HOWEVER, IF INTERNATIONAL BUYERS OFFER LOWER PRICE FOR CRUDE OVER SAME PERIOD, ESSO HAS OPTION TO MEET THEIR OFFER AND FIRST RIGHT TO LIFT THIS CRUDE.

6. GAS: LIBYA WILL FURNISH ESSO WITH NATURAL GAS FROM FORMER ESSO CONCESSIONS AS WELL AS NON-ESSO FIELDS FOR WHICH ESSO HAS BEEN SERVING AS OUTLET. GAS PRICE WILL CAUSE ESSO "NO ECONOMIC DEBIT" (MEANING IF PRICE RAISED FROM ONE FIELD, IT WILL BE LOWERED FROM ANOTHER FIELD AND OVERALL COST WILL BE THE SAME).

7. AGREEMENT DID NOT RPT NOT CONTAIN CLAUSE LINKING LIBYAN AGREEMENTS WITH POSSIBLY MORE FAVORABLE AGREEMENTS MADE IN OTHER PRODUCING NATIONS.

8. NEW CONCESSIONS: ESSO AND MINISTER OF PETROLEUM SIGNED
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"PRINCIPLES OF AGREEMENT", ESSENTIALLY MEMORANDUM OF INTENT, TO GRANT NEW EXPLORATION ACREAGE OF ESSO LIBYA ON 51-49 TERMS. GREENWALD DID NOT WANT DETAILS AGREEMENT PUBLISHED BUT STATED NEW CONCESSIONS IN THREE AREAS, TWO OFFSHORE AND ONE IN TUMAYN TROUGH AREA. ESSO AGREED INVEST \$90 MILLION IN THESE THREE AREAS FOR EXPLORATION AND WOULD, UPON COMPLETED SEISMIC AND EXPLORATORY WORK, HAVE OPTION TO DEVELOP THEIR CHOICE OF ROUGHLY HALF ACREAGE OF CONCESSIONS. NEW ACREAGE NEARLY 100,000

SQUARE KILOMETERS WITH ALL BUT 15 PERCENT OF THIS OFFSHORE.

9. NEW AREAS: ESSO CONCESSIONS OFFSHORE WILL NOT BE WEST OF AREA DUE NORTH OF TRIPOLI AND WILL NOT BE EAST OF AREA DUE NORTH OF MARSA EL-BREGA. CONCESSION AREAS WILL NOT BE CLOSE TO LIBYAN SHORELINE AT ANY POINT AND WILL NOT BE NORTH OF LATITUDE 34 DEGREES. TWO OFFSHORE CONCESSION AREAS HAVE BEEN DESIGNATED "WEST LIBYAN OFFSHORE" AND "DEEP LIBYAN OFFSHORE". NEW ONSHORE CONCESSION WILL BE AT LATITUDE 26 NORTH, LONGITUDE 19 EAST.

10. AGREEMENT FRIENDLY: ALTHOUGH AGREEMENT RESULT OF MONTHS OF WORK AND PRESENCE GREENWALD HERE SEVERAL WEEKS, CONCLUSION WAS FRIENDLY AND BOTH SIDES LARGELY SATISFIED. AGREED THAT LATER ADJUSTMENTS WOULD PROBABLY BE NEEDED. ESSO PLEASED WITH RESOLUTION WORK PERMIT PROBLEMS, LIBYAN AGREEMENT TO EXEMPT FROM CUSTOMS AND EXPORT REGULATIONS ALL EQUIPMENT NECESSARY FOR CRUDE PRODUCTION, AND LIBYAN WILLINGNESS TO CUT RED TAPE AND STOP DETAILED REVIEW ALL COMPANY'S OPERATIONS.
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